STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

AMEREN ILLINOIS COMPANY	:	
dba AMEREN ILLINOIS	:	11-0279 and 11-0282 (Consolidated)
	:	

REPLY BRIEF

OF

THE GRAIN AND FEED ASSOCIATION OF ILLINOIS

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I. INTRODUCTION

GFA and Ameren Illinois Company ("Ameren" or "AIC") agree that the record in this case is insufficient to order seasonal electric rates. GFA would like to work with AIC to develop a study to allow the Commission to evaluate seasonal costs and potential rates.

While GDS-3 size gas customers are currently eligible to switch to GDS-5 service, the customer charge is so high that it makes it impractical for those smaller use customers to switch. GFA has therefore proposed a revised tariff, with an additional tier within the GDS-5 rate for GDS-3 size customers. Adding the tier will encourage greater off-peak utilization of the system. GFA has also provided revenue erosion analysis, and specific vendor quotes for metering equipment. While AIC objects to GFA's proposal, AIC offers no specifics, just unsupported conclusions.

II. RATE BASE

III. OPERATING REVENUES AND EXPENSES

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C. Contested Issues

1. Electric

d. DS-3/DS-4 Seasonal Rates

(i) GFA Requests Ameren to Study the Seasonal Cost of Electric Delivery Service.

GFA and AIC agree on one thing: The record in this case is insufficient to order seasonal rates. However, GFA and AIC continue to disagree on other matters.

First, although AIC continued to include the Rate Limiters in its tariff and the parties agreed that the Rate Limiter issue is a "Resolved Issue," AIC elected to take a swipe at the Rate Limiters. Without citation to the record, AIC refers to the Rate Limiters as a "subsidy." (AIC Initial Brief, page 156). The Rate Limiters are not a subsidy. A subsidy occurs when one class of customer receives service at less than cost and another class is charged for the difference. Because AIC has never performed a seasonal cost of service study, AIC does not know the cost attributable to seasonal users. Therefore, AIC cannot know whether or not the seasonal users receive a subsidy.

Then, AIC also describes seasonal rates as a "subsidy." (AIC Initial Brief, page 156). Again, AIC did not perform a seasonal cost study. If AIC does not know the cost contributed by seasonal users, it cannot possibly know that seasonal rates will create a subsidy.

GFA and AIC further disagree on the scope of the study that the Commission ordered in the prior rate case. AIC reads the Order narrowly, while GFA reads the Order in the context of the entire Order.

AIC focuses on one sentence of the Order, wherein it states that AIC agreed to examine a sample of circuits serving DS-3 and DS-4 customers (i) to confirm that their non-summer seasonal use can drive load circuit peaks and (ii) to evaluate their revenue contribution relative to cost responsibility. (AIC Initial Brief, page 157, *citing* Order, Docket Nos. 09-0306 (cons.), page 267). However, AIC ignores the remainder of the Order that provides context to that sentence. In particular, item (ii) was specifically addressed by the Commission.

AIC disregards that part of the Order where the Commission stated that "AIU acknowledges that examining a sample of circuits serving DS-3 and DS-4 customers may help bring additional clarity to the debate." (Order, Docket Nos. 09-0306 (cons.), page 268). Clearly, the Commission was interested in a study that would address the issues raised by both parties. So, what were the issues raised by the parties? As stated in the Order, "GFA simply requests that AIU begin collecting the necessary data to conduct analysis of prospective seasonally cost based rates for the DS-2, DS-3, and DS-4 classes with regard to costs of substations and primary lines within the distribution delivery charge." (*Id.*, page 267). Indeed, the Commission stated that the required study "would also measure such customers' revenue contribution relative to their cost responsibility – the issue GFA wishes AIU to examine." (*Id.*, page 268). This portion of the Order specifically references and defines the Commission's intent regarding "customers' revenue contribution relative to their cost responsibility," which is AIC's item (ii) described above. In order to bring "clarity to the debate on that issue," AIC's study needed to address the issue raised by GFA: seasonally cost based rates with regard to costs of substations and primary lines within the distribution delivery charge.

AIC further ignores the Commission's discussion earlier in the Order. In the subsection regarding "Cost Allocation of Primary Distribution Lines and Substations," the Commission stated as follows:

> "With regard to GFA's seasonal pricing concerns and the allocation of primary lines and substation costs, AIU continues to believe that such seasonal rates for the DS-2, DS-3, and DS-4 classes will ultimately create a subsidy by non-seasonal customers. AIU nevertheless does not object to examining a sample of circuits serving the DS-3 and DS-4 in order to bring clarity to the debate in the next rate case. AIU acknowledges that such a review may lead to improvements in its <u>COSS</u>." (Emphasis added). (Order, Docket Nos. 09-0306 (cons.), page 236).

This highlights the issues in the debate: AIU believes that seasonal rates will result in a subsidy, while GFA disagrees. The only way to "bring clarity to the debate" is to examine circuits in that regard, including primary lines and substations. Clearly, the Commission was expecting analysis regarding allocation of primary lines <u>and substation</u> costs for seasonal users. Instead, it received nothing in that regard. AIC never attempted to look at substation costs nor attempt a seasonal COSS. Certainly, AIC's COSS has allocators based on kW demand which occurs during the summer months and AIC could, at a minimum, segregate those demand allocated costs to the summer months in a seasonal COSS for each rate class. AIC could then reflect those costs in a seasonal rate design. Customers with seasonal use, such as electric heat customers, asphalt plants and grain dryers, may very well be paying more than their cost of service, but only a seasonal COSS and rate design will make that determination, both of which are lacking in this case for DS-3 and DS-4 rate customers. GFA notes that AIC continues to have seasonal or off-peak rates for DS-1, DS-2 and DS-5 customers, while opposing similar treatment for DS-3 and DS-4 rate customers.

Further, AIC admits that the "purpose of the circuit study was to confirm that circuits servicing feeders can peak outside of the summer months, not to somehow segregate and assign DS-3 and DS-4 distribution costs on a seasonal basis." (AIC Initial Brief, page 158). While GFA disagrees that the very limited study confirmed anything, it is clear that AIC did nothing to bring clarity to the debate regarding allocation of costs of primary lines and substations.

Again, the parties agree that there is insufficient information in the record to order seasonal rates in this case. GFA respectfully requests the Commission to order Ameren to provide a study sufficient to permit the Commission to evaluate seasonal users' revenue contribution relative to their cost responsibility, including primary lines and substations. As stated in its Initial Brief, GFA offers to work with Ameren with regard to such study.

2. Gas

b. GDS-5 - Expansion of Rate Class Availability

In AIC's prior rate case, GFA proposed making GDS-5 seasonal rates a practical option for GDS-2 and GDS-3 customers. The Commission opted not to implement GFA's suggestion, but stated, "If GFA continues to believe that accommodations should be made for additional seasonal rates, GFA should bring specific proposals, containing tariff language and analysis, for the Commission and other parties to consider." (Order, Docket Nos. 09-0306 (cons.), page 276). Toward that end, GFA, in this case, submitted a revised tariff, provided revenue erosion analysis, and obtained specific vendor quotes for the equipment needed by GDS-3 users to switch to GDS-5.

Despite providing the information requested by the Commission, AIC and Staff accused GFA of not providing sufficient information for the Commission to make a determination. Rather, GFA has provided the necessary, specific information and presented a clear, easy to understand proposal. In stark contrast, AIC has provided no specifics whatsoever in support of its attacks, and, instead, simply makes unsupported conclusions.

(i) <u>AIC Does Not Provide Specifics</u>.

AIC, in its Initial Brief, continues its assault on GFA, continuing to allege that GFA's analysis is inaccurate and incomplete. However, it is AIC's allegations that lack specifics. For example, AIC states that "because the design of the GDS-5 rate tariff offers a price break for seasonal usage to GDS-5 customers, meter reading and billing, too, are more complex and, as a result, more costly for GDS-5 grain drying customers relative to small or intermediate GDS-2 and GDS-3 general use customers." (AIC Initial Brief, page 165.). Notably absent from this conclusory statement are specifics. How is the billing more complex? How is it more expensive? AIC provides no answers. AIC's silence is particularly telling given that processes to bill GDS-5 customers already exist.

Similarly, AIC persists in its contention that the cost of a gas meter for GDS-3 customers taking GDS-5 service is greater than that found by GFA through its solicitation of vendor quotes. AIC states that the "regulator cost estimated by GFA is too low for the volumes of gas used by most grain dryers; such volumes require larger and more expensive regulators." (AIC Initial Brief, page 166). This statement makes sense if AIC looked at current GDS-5 customers. They are typically GDS-4 size customers that use larger volumes and therefore require larger meter equipment. However, GFA focused exclusively on GDS-3 size customers, and obtained specific quotes for equipment appropriate for those customers. AIC continues to bash GFA's testimony, but AIC provides no specifics about what it deems to be an appropriate meter, and what other equipment would be needed. AIC only speaks in generalities. In contrast, GFA obtained specific quotes from vendors with specific parts, model numbers and costs. (GFA Exh. 2.01G, 2.02G).

AIC also states that the maximum potential revenue erosion calculated by GFA, approximately $20,000 annually, is not acceptable. (AIC Initial Brief, page 167). This statement is not accompanied by any reasoning or analysis. In particular, it ignores the system wide benefits that occur when GDS-5 customers self interrupt when the temperature is 25 degrees Fahrenheit or below, including freeing up capacity for firm-requirements customers, and increased system reliability. Moreover, GFA's proposal, if implemented, would encourage GDS-3 size propane users to switch to gas, thereby potentially increasing AIC revenue, with little or no additional investment in system capacity. Additionally, the delayed implementation will permit AIC to minimize revenue erosion and adjust charges to actual when it files its next rate case.

AIC, without citation, incorrectly states that GFA concedes that GFA has not fully considered the ramifications of its proposal. (AIC Initial Brief, page 167). GFA concedes no such thing. Instead, GFA provided the necessary analysis to implement the requested change. This is particularly true given GFA's suggestion that implementation be delayed, and that the availability initially be limited to twelve GDS-3 customers.

Finally, AIC, parroting Staff, derides GFA's proposal as simplistic and not nearly complex enough. Apparently, AIC objects to GFA's clear, easy to understand proposal.

In accordance with the Commission's Order in AIC's prior rate case, GFA has provided specific, real world quotes and a clear proposal, including a revised tariff. It further provided undisputed revenue erosion analysis. AIC, on the other hand, only provided the Commission unsupported conclusions.

(ii) <u>Staff's Concerns Are Unfounded</u>.

Staff, in its Initial Brief, after acknowledging that the purpose of GDS-5 is to promote system reliability, expresses concerns about GFA's proposal. Staff states that GFA does not provide analysis of rate design, cost allocation, bill impact analysis, customer rate migration, revenue instability, cost analysis. (Staff Initial Brief, pages 148-149). Staff further expresses a concern about ambiguity for rate administration. (*Id.*) Reading further, it is apparent that these concerns relate to "avoid[ing] the possibility of revenue erosion." (*Id.*, page 149). Staff goes on to say, "In effect, the Commission would have to allow adjustments to other rates in order for the company to make up any revenue short fall created by GFA's proposal." (*Id.*, pages 149-150). However, GFA's proposal contains analysis regarding the potential revenue erosion that will occur, and will not be avoided. The concerns raised by Staff to avoid that revenue erosion therefore do not apply. Although AIC could experience revenue erosion, as discussed above, it will gain system reliability and additional capacity during cold weather periods.

Staff also expresses concerns about implementation and the uncertainty of what might occur should customers switch. These concerns ignore that the GDS-5 rate already exists. GDS-2 and GDS-3 size customers can currently switch to and from GDS-5. The means to implement these changes already exists. The uncertainty surrounding potential switches already exists. If anything, GFA's erosion analysis and proposal of a limited, delayed implementation provides more certainty than current conditions.

GFA respectfully requests the Commission to order the revised tariff provided as GFA Exhibit 1.01G on a limited basis, with:

a) Implementation delayed to May 1, 2012, and

b) Users initially limited to the first twelve GDS-3 sized customers not already taking GDS-5 service.

VIII. PROPOSED RIDERS/TARIFF CHANGES

IX. PROPOSED SMALL VOLUME TRANSPORTATION PROGRAM

X. OTHER

XI. CONCLUSION

GFA acknowledges that the proper study to establish electric seasonal rates has not yet been accomplished. Therefore, it would not be appropriate for the Commission to set seasonal electric rates in this case. However, GFA is willing to work with AIC to study seasonal cost of service for DS-3 and DS-4 rates, so that seasonal rates can be considered in AIC's next rate case.

GFA favors making the seasonal GDS-5 rate a practical option for GDS-3 customers. Doing so will encourage more self interruption during peak usage, thereby increasing system reliability, and lowering system costs. GFA disagrees with the concerns raised by AIC and Staff. However, to address these concerns, GFA proposes delaying implementation and initially limiting the number of customers that can switch. GFA respectfully requests the Commission to approve the proposed change on this limited, experimental basis.

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Respectfully submitted,

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